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STATEMENT OF
PHILIP A. BERNSTEIN, DEPUTY DIRECTOR
HUMAN RESOURCES DIVISION
BEFORE THE
SUBCOMMITTEE ON MANPOWER AND HOUSING
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS
ON THE
[DISSOLUTION OF THE GREATER LOS ANGELES
COMMUNITY ACTION AGENCY]
OF THE
COMMUNITY SERVICES ADMINISTRATION

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Madam Chairwoman and members of the Subcommittee, we are pleased to have this opportunity to appear before the Subcommittee to discuss our report on Decisive Government Action Needed to Resolve Problems of Community Action Programs in Los Angeles.

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The Greater Los Angeles Community Action Agency (GLACAA), was the second largest community action agency in the country. During 1977 and 1978 GLACAA administered over \$30 million in funds annually through approximately 90 delegate agencies. GLACAA administered a number of health, child education, labor



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and social service programs funded principally by the Federal Government, the State of California and the City and County of Los Angeles.

Audits and investigations by the Federal Government and others revealed that GLACAA experienced serious financial problems and management difficulties throughout most of its 5-year existence. Our study revealed that many of GLACAA's problems were not effectively resolved by the Government.

- Audit findings and questioned costs were not resolved in a timely manner with some resulting in irretrievable losses to the Federal Government;
- The Community Services Administration's (CSA) response to investigative findings at GLACAA was delayed;
- Weaknesses identified in management audits were not rectified;
- Program effectiveness evaluations provided little insight into GLACAA's effectiveness; and
- Management reports and CSA investigations found that GLACAA's Board of Directors did not exercise effective control because of conflicts of interest and management influence over Board members.

CSA operating officials advised us that the philosophy of local control embodied in the Economic Opportunity Act and limitations in staff for follow-up have constrained them from taking firm action where community action boards have not

effectively controlled programs such as those of GLACAA.
(In December 1978, GLACAA was dissolved) and its functions assumed on an interim basis by the City and County of Los Angeles following City and County actions to dissolve the joint powers agreement that created GLACAA.

EVENTS LEADING TO THE
DISSOLUTION OF GLACAA

In January 1976, the City and County of Los Angeles auditors completed a joint management audit of the agency and recommended to Los Angeles City and County executives that GLACAA be dissolved and its program functions^{assumed} by the City and County. ^(Los Angeles) The report pointed out that GLACAA's Board of Directors was neither representative nor effective as a policy-making body, that the administration was weak, and that intergroup conflict permeated the agency.

In response to the management audit the City and County of Los Angeles attempted to implement terms of the joint powers agreement that would permit replacing the GLACAA board with an interim three-member Board.

However, in June 1976 CSA's Regional Director advised the Los Angeles City Council that CSA would not concur with invocation of joint powers agreement terms providing for an interim three-member board and that nothing had been presented at that time warranting the action. CSA's General Counsel confirmed this position in July 1976, advising the Council that the three-member board was legally impermissible.

Following CSA's comments, the City and County financial and administrative support of GLACAA were curtailed. The Director of GLACAA resigned in June 1976. The GLACAA Board of Directors sought a replacement and finally in January 1977 a new director was appointed.

During the following 7 months allegations of wrongdoing on the part of the new administration were made to CSA by members of GLACAA's Board. In August 1977, CSA conducted an investigation which revealed weakened fiscal controls, removal of key supervisors without performance evaluations, acquisition of equipment and furnishings without required CSA approval, and direct attempts by GLACAA's new Executive Director to remove Board members that opposed him.

In December 1977, the City of Los Angeles decided to withdraw from the Joint Powers Agreement and in April 1978 requested CSA assistance in forming a City administered Community Action Agency. However, the City and County did not take formal action to dissolve the agreement and in August 1978 CSA's Regional Office notified the County that, unless it acted to create a successor to GLACAA, CSA would discontinue funding the agency. Subsequently, the City and County developed separate plans to designate themselves as community action agencies, and GLACAA was terminated as of December 31, 1978.

TRANSITION FROM GLACAA
ENCOUNTERS PROBLEMS

As of May 21, 1979, the organization and responsibilities of future community action program sponsors in Los Angeles were uncertain. A National firm of Certified Public Accountants had been hired by the City acting for the Joint Powers in December 1978 to close GLACAA's books and records, identify all assets and liabilities, and determine the status of all programs.

Based on reports of the firm the City will distribute the assets to successor organizations, and liquidate the liabilities. During the transition period following GLACAA's closing, the County of Los Angeles is assuming responsibility to serve as a conduit of funds to CSA-funded delegates of GLACAA and the City is serving as interim sponsor to the Head Start program.

However, the closedown and transition has encountered several problems:

- The closedown contract remains essentially open-ended and audit plans and requirements have not been fully determined.
- CSA's planned fraud audit of GLACAA has not been accomplished.
- Responsibility for GLACAA's liabilities has not been determined which has resulted in a delay in the submission and approval of successor community action agency plans by Los Angeles City and County.

IMPLICATIONS OF PUBLIC CONVERSIONS
AND DEFUNDING ACTIONS

The authority for ^{(the} conversion of GLACAA from an independent non-profit agency representing the poor to a public program, administered by municipal entities, is provided for in the ^{statute)} Economic Opportunity Act of 1964 (P.L. 88-452) and CSA regulations. (Of almost 900 Community Action Agencies in the country, 81 have undergone such conversions. Also, during the last 5 years 29 other Community Action Agencies have been terminated or defunded by ^{The Community Services Administration} CSA and 19 have been voluntarily terminated by local sponsors.)

CSA has been concerned with the impact these actions will have on the future and integrity of community action program operations. Because publicly administered programs often dilute participation of the poor in policy-making decisions the Director of CSA modified regulations in May 1979 to require the creation of Community Action Boards of Directors for publicly administered programs. Other changes will be needed in CSA procedures and requirements to assure the effectiveness and integrity of Community Action programs.

RECOMMENDATIONS FOR IMPROVING
COMMUNITY ACTION PROGRAMS

We have recommended that the Director of CSA improve the selection and integrity of Community Action Boards by

- developing safeguards in the selection procedures of area councils for poverty community representatives

that preclude large delegate agencies from unduly influencing the selection process,

--providing sufficient technical training for poverty community representatives so as to make them more effective board members.

--building safeguards into the processes for removal of board members to insulate them to the extent possible from political pressures and influence,

--providing for meaningful participation on the board by public sector representatives, and

--expanding conflict of interest definitions to preclude not only representatives of delegate agencies from serving on community action boards, as CSA's rules now provide, but also immediate family members of delegate agencies' officers and employees and other individuals with vested interests in delegate agencies or services to be provided to the poverty community.

We have also recommended that the Director of CSA

--develop a code of conduct to govern the actions of community action board members and officers and make it a part of CSA's grant conditions;

--develop a clear set of guidelines reconciling the Federal agencies' responsibilities to protect Government funds and the maintenance of local control over Community Action Agency use of these funds;

- develop a system for verifying grantee program effectiveness self-evaluations;
- make sufficient operating manpower available to effectively follow-up on investigative findings;
- establish procedures to review and approve community action agency designation agreements to assure that terms are consistent with enabling legislation; and
- before adopting Los Angeles City and County proposals for community action programs, thoroughly explore the alternative of designating several smaller community action agencies as possible successors to GLACAA.

Responsible officials of CSA, the Department of Health, Education, and Welfare and the City and County of Los Angeles agreed with our findings and recommendations.

We hope that our discussion here today will prove helpful to the Subcommittee. This concludes my statement. We will be happy to answer any questions you may have.